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REAGAN PROPOSES \$298 MILLION MORE FOR LATIN REGION

SALVADOR SHARE HIGHEST

Central American Nations, He Says, Are Having 'Gravest Crisis in Their History'

By BERNARD WEINRAUB

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WASHINGTON, March 10 — President Reagan, saying that the nations of Central America "are in the midst of the gravest crisis in their history," today proposed an emergency \$298 million military and economic assistance package for the region that includes \$110 million in arms aid for El Salvador.

"Central America is simply too close and the strategic stakes are too high for us to ignore the danger of governments

Excerpts from speech are on page A6.

seizing power there with ideological and military ties close to the Soviet Union," Mr. Reagan said in a policy speech.

Mr. Reagan said the military situation in El Salvador was "not good" and called that country the current "first target" of the Soviet Union, Cuba and Nicaragua. "If guerrilla violence succeeds," Mr. Reagan said, "El Salvador will join Cuba and Nicaragua for spreading fresh violence to Guatemala, Honduras, even Costa Rica. The killing will increase and so will the threat to Panama, the canal and ultimately Mexico."

2 Weeks of Official Debate

Mr. Reagan's speech, before a luncheon of the National Association of Manufacturers at the Washington Hilton Hotel, came after nearly two weeks of Administration debate and concern over what officials termed the deteriorating military situation in El Salvador, the critical shortages of ammunition and the possible need to increase the number of American military advisers there beyond the self-imposed limit of 55.

Mr. Reagan's speech sought to balance the Administration's anxiety about what he called Soviet, Cuban and Nicaraguan efforts to "pursue political change through violence" in Central America, with demands by many members of Congress that the Administration actively seek a political solution to end the guerrilla war. Beyond this, many members of Congress are plainly uneasy about American involvement in El Salvador and compare it to Vietnam.

"Are we going to send American soldiers into combat?" Mr. Reagan asked before the group, which gave him a warm introduction and send-off. "The answer is a flat no."

Negotiations, Mr. Reagan added, "are a key part of our policy." He said the United States supported the regional peace initiative now under way, and "we wish it well." The effort, begun by Costa Rica, excludes the United States, although Administration officials privately and publicly have welcomed it.

"Bullets are no answer to economic inequities, social tensions or political disagreements," Mr. Reagan said. "Democracy is. What we want is to enable Salvadorans to stop the killing and sabotage so that economic and political reforms can take root."

The additional \$298 million economic and military proposal for the region this year includes \$110 million in military aid for El Salvador and \$67 million in economic aid. This brings the overall military aid request for El Salvador this year to \$136.3 million, while proposed economic assistance for 1983 is now \$227.1 million.

Last year, El Salvador received \$178.5 million in economic assistance and \$82 million in military aid.

In addition to seeking more money for El Salvador, Mr. Reagan proposed increasing military aid by a total of \$20 million for Honduras, Costa Rica and Panama Canal security. Mr. Reagan also said he would seek an added \$168 million in economic assistance for Belize, Costa Rica, El Salvador and Honduras. El Salvador's share would be the largest. This places the overall economic aid request for the four nations this year at \$472 million.

Initial reaction from Congress was somewhat negative. "I don't see the voters around here at the present time," said Speaker Thomas P. O'Neill, Jr. "He's going to have to do a lot of selling."

Senator Christopher J. Dodd, Democrat of Connecticut and a vocal foe of Administration policy in El Salvador, said he was convinced that "the President still totally misunderstands the problem and we've got to listen to the

voice in the region and bring this thing to an end through dialogue, negotiations, whatever." He added, "We've got to take it off the battlefield."

Administration officials said Mr. Reagan played a role in the choice of language in the speech, which was worked over until early this morning. Members of a task force from the State Department, White House, Pentagon and Central Intelligence Agency also worked on the speech, and Jeane J. Kirkpatrick, the delegate to the United Nations, played a key role, Administration officials said.

Mr. Reagan as well as aides, in briefings before the speech, told Congress, in effect, that unless the Administration received the military funds it wanted for El Salvador this year, the United States might be compelled to increase the number of military advisers there.

Mr. Reagan said "the best way" to train Salvadorans — and keep the number of Americans there as low as possible — was "to provide training outside of El Salvador, in the United States or elsewhere."

"But that costs a lot more," Mr. Reagan said. "So the number of U.S. trainers in El Salvador will depend upon the resources available." An Administration official said it costs 10 times more to train Salvadoran units in the United States than it does in their own country.

The official, who spoke to reporters before Mr. Reagan's speech, said that if Congress cut the requested funds, the training would have to be done in El Salvador, and that would probably require sending more American advisers.

According to an aid official at the State Department, El Salvador is now the sixth largest recipient of American military and economic aid, after Israel, Egypt, Turkey, Pakistan and Spain.

Mr. Reagan told the business group that the nations of Central America "are in the midst of the gravest crisis in their history." He continued: Accumulated grievances and social and economic change are challenging traditional ways.

"Their struggle for a better future deserves our help. We should be proud to offer it, for in the last analysis they are fighting for us, too. And we will not let them down."

He added: "The problem is that an aggressive minority has thrown in its lot with the Communists, looking to the Soviets and their Cuban henchmen to help them pursue political change through violence. Nicaragua has become their base."